

Message Text

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14

ACTION AGR-08

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

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R 270618Z JAN 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 7349

INFO USMISSION GENEVA

AMEMBASSY MOSCOW

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STATE PASS AGRICULTURE FOR MEEKER AND ANDERSON

EO 11652: NA

TAGS: EARG, AS

SUBJ: AMB TAKES \$A1.2 MILLION LOSS ON USSR MEAT CONTRACT

1. THE AUSTRALIAN MEAT BOARD TOOK AN ESTIMATED LOSS OF ABOUT \$A1.2 TO \$A1.3 MILLION ON THE SALE AND DELIVERY OF 35,147 MT OF BEEF TO USSR LAST YEAR. ALTHOUGH THE ACTUAL CONTRACT PRICE WAS NEVER MADE PUBLIC, IT WAS RELIABLY REPORTED AT \$US700/MT, CIF. IT IS ESTIMATED THAT THE LOSS WAS EQUIVALENT TO 3.52 A CENTS PER KG, OR ABOUT EQUAL TO THE CURRENT EXPORT CHARGE OF 1.6 A CENTS PER POUND.

2. FOLLOWING THE SIGNING OF THE ORIGINAL CONTRACT IN MOSCOW LAST FEBRUARY WITH PRODINTORG CALLING FOR THE DELIVERY OF 40,000 MT, PLUS AN OPTION FOR AN ADDITIONAL 20,000 MT, THE GOA AGREED TO LOAN THE AMB UP TO \$A3.0 MILLION TO OFFSET ANY LOSSES. HOWEVER, THE SOVIET ORDER WAS LATER REDUCED TO 35,000 MT WHEN IT BECAME EVIDENT THE BOARD COULD NOT FILL THE 40,000 MT CONTRACT ON TIME.

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PRODINTORG HAD EARLIER INFORMED THE BOARD IT WOULD NOT TAKE

UP THE 20,000 MT OPTION. THE LATER TWO ACTIONS PROBABLY SAVED THE AMB FROM TAKING FURTHER LOSSES. ALTHOUGH THE GOVERNMENT MONEY IS REGARDED AS A "LOAN" TO THE AMB, IT IS DOUBTFUL IF IT WILL EVER BE REPAID.

COMMENT: THE USSR CONTRACT WAS A DIFFICULT ONE FROM THE START. THE CONTRACT WAS MADE AT A TIME WHEN THE AUSTRALIAN BEEF SITUATION WAS AT ITS LOWEST EBB AND CONSEQUENTLY HAD TO BE FILLED ON A GRADUALLY RISING MARKET. MANY EXPORTERS TOOK SOME RATHER HEAVY LOSSES IN FILLING THEIR CONTRACTS WITH THE BOARD. IN ADDITION, THE SPECIFICATIONS WERE EXTREMELY DEMANDING WHICH PLACED A HEAVY BURDEN ON THE MEAT WORKS. HOWEVER, THERE IS NO QUESTION THAT THE SALE DID HELP TO TURN THE BEEF SITUATION AROUND HERE IN AUSTRALIA.

THE ABOVE FACTORS WILL MAKE IT ALL THE MORE DIFFICULT FOR THE CHAIRMAN OF THE AMB TO MAKE ANOTHER DEAL WITH USSR DURING HIS FORTHCOMING TRIP TO MOSCOW.
PERICVAL

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